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UNITED STATES BANKRUPTCY COURT

IN AND FOR THE EASTERN DISTRICT OF WASHINGTON UNITED STATES

In Re:	Ch 11
Art and Trijntje a/k/a Theresa Mensonides, husband and wife,	Case No.: 18-01683-FLK11
and	Case No: 18-01681-FLK11
MENSONIDES DAIRY, LLC	DISCLOSURE STATEMENT
Debtor.	

DISCLOSURE STATEMENT -1

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1 Art and Trijntje a/k/a Theresa Mensonides, husband and wife,

2 and

3
4 MENSONIDES DAIRY, LLC

5
6 **I. INTRODUCTION & PLAN SUMMARY**

7 This disclosure statement (the “Disclosure Statement”) is filed in the chapter
8 11 cases of Mensonides Dairy, LLC (“Dairy”) and Art and Trijntje a/k/a Theresa
9 Mensonides (“Mensonides”) (collectively the “Debtors”). This Disclosure
10 Statement contains information about the Debtors and describes the Debtors’
11 proposed Plan of Reorganization (the “Plan”). A full copy of the Plan is attached
12 to this Disclosure Statement as Exhibit “1.” Your rights may be affected. You
13 should read the Plan and this Disclosure Statement carefully and discuss them with
14 your attorney. If you do not have an attorney, you may wish to consult one.

15 **A. Purpose of This Document**

16 This Disclosure Statement describes:

- 17 - The Debtors and significant events during the bankruptcy case,
- 18 - How the Plan proposes to treat claims or equity interests of the
19 type you hold (i.e., what you will receive on your claim or
20 equity interest if the plan is confirmed),
- 21 - Who can vote on or object to the Plan,
- 22 - What factors the Bankruptcy Court (the “Court”) will consider
23 when deciding whether to confirm the Plan,
- 24 - Why the Debtors believe the Plan is feasible, and how the
25 treatment of your claim or equity interest under the Plan

26 DISCLOSURE STATEMENT -2

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1 compares to what you would receive on your claim or equity
2 interest in liquidation, and

3 - The effect of confirmation of the Plan.

4 Be sure to read the Plan as well as the Disclosure Statement. This Disclosure
5 Statement describes the Plan, but it is the Plan itself that will, if confirmed,
6 establish your rights.

7 11 U.S.C. §1125(b) PROHIBITS SOLICITATION OF AN ACCEPTANCE OR
8 REJECTION OF A PLAN OF REORGANIZATION UNLESS A COPY OF THE
9 PLAN OF REORGANIZATION OR A SUMMARY THEREOF IS
10 ACCOMPANIED OR PRECEDED BY A COPY OF A DISCLOSURE
11 STATEMENT APPROVED BY THE BANKRUPTCY COURT. A COPY OF
12 THE PROPOSED PLAN OF REORGANIZATION IS ATTACHED AS EXHIBIT
13 "1."

14 THIS DISCLOSURE STATEMENT HAS BEEN APPROVED AS CONTAINING
15 ADEQUATE INFORMATION BY AN ORDER OF THE UNITED STATES
16 BANKRUPTCY COURT ENTERED ON _____, AND
17 ITS DISTRIBUTION TO THE HOLDERS OF CLAIMS AND EQUITY
18 SECURITY INTERESTS IS AUTHORIZED BY THAT ORDER. THE
19 BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT,
20 HOWEVER, DOES NOT CONSTITUTE A RECOMMENDATION OR
21 ENDORSEMENT OF THE PLAN OF REORGANIZATION BY THE
22 BANKRUPTCY COURT.

23 IN ORDER TO BE COUNTED FOR PURPOSES OF SATISFYING THE
24 BANKRUPTCY CODE REQUIREMENTS YOUR BALLOT OF ACCEPTANCE
25 OR REJECTION MUST BE RECEIVED AT THE ADDRESS INDICATED ON
THE BALLOT NO LATER THAN 5:00 P.M. ON THE DAY OF _____

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PLEASE TAKE NOTE THAT THIS DISCLOSURE STATEMENT IS A COMBINED DISCLOSURE STATEMENT FOR MENSIONIDES DAIRY, LLC AND ART AND TRIJNTJE A/K/A THERESA MENSIONIDES. THIS IDENTICAL DISCLOSURE STATEMENT WITH ALL EXHIBITS IS BEING FILED IN THE BANKRUPTCY CASE OF EACH DEBTOR.

B. Summary of Plan.

The Debtors' Plan involves merging Dairy & Mensionides, which will operate as the Debtor under the Plan. The Debtors' Plan establishes FOURTEEN (14) classes of creditors and equity security holders, which are as follows:

- Class 1: Administrative Claims – Professionals
- Class 2: Administrative Claims - Other
- Class 3: Claims of the Internal Revenue Service
- Class 4: Secured Claims of Northwest Farm Credit Services, FLCA and Northwest Farm Credit Services, PCA (collectively “**Farm Credit**’)
- Class 5: Secured Claims of Ag Country Farm Credit Services
- Class 6: Secured Claims of AgCo Finance LLC
- Class 7: Secured Claims of Balboa Capital
- Class 8: Secured Claims of Deere
- Class 9: Claims of Northland Capital Financial Services
- Class 10: Unsecured Claims

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- 1 Class 11: Secured Claims of Wells Fargo Home Mortgage
- 2 Class 12: Unsecured Claims – Administrative Convenience
- 3 Class 13: Claims Between Individual Debtors and the Dairy
- 4
- 5 Class 14: Equity Security Holders
- 6

7 The Plan proposes to pay all creditors in classes 1-13 in full, with interest,
8 over time. The source of payments to creditors will be through the Debtors'
9 continued business operations, changes in operations for immediate funding, the
10 sale of property, and settling/obtaining a judgment in a lawsuit. The first twenty-
11 four months of these operations is outlined in the Budget and Budget Assumptions,
12 which are attached as Exhibits "2-3" hereto. These Budget projections show that
13 the Debtors will be able to generate sufficient cash to fund its continuing
14 operations as well as make payments to creditors as described below.

15 The Debtors believe that the payment of creditors under the terms of the
16 Plan will generate more recovery for creditors than if the Debtors' cases were
17 converted to chapter 7 and the Debtors liquidated their assets. The Debtors'

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1 liquidation analysis, which they believe supports this statement, is summarized in
2 Exhibit "4" attached hereto.

3 **II. DEBTORS' OPERATIONS, ASSETS & CLAIMS**

4 **A. Description and History of the Debtors' Business**

5
6 1. Art and Theresa Mensonides built their dairy at its current location in
7 Mabton and started operation in 2002. They initially milked approximately 4,300
8 cows three times per day. In 2008, the Dairy switched to milking approximately
9 5,300 cows twice per day. Mensonides live on-site, with their residence located
10 within viewing distance of the barns. Mensonides also put the main office along
11 with a scale to weigh commodities and cattle at the entrance of the Dairy. Feed is
12 brought into the Dairy, stored, mixed, and fed within the confines of the Dairy
13 operation. The Dairy has a top of the line milking parlor, with low stress handling
14 facilities, and vet barn. To keep the Dairy as clean as possible, Mensonides have a
15 manure management system that includes a separator, centrifuge and holding
16 ponds, making this Dairy state of the art in manure management. The liquids are
17 used on crops, and the solids are turned into bedding for the cows, and compost to
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1 be sold on a commercial level, adding another category to the value added
2 businesses that stem from this Dairy.

3 2. Art Mensonides manages the Dairy. Art and his wife, Trijntje
4 Mensonides, are the sole members of the LLC, and both are active in dairy
5 management. The Dairy employs approximately 70 full-time employees.
6 Mensonides have three daughters who are involved in the management and
7 operation of the Dairy. Amy Mensonides works in the office. Joreen Mensonides
8 works in HR. Kristyn Mensonides is a herdsman. The Mensonides also have one
9 son-in-law working at the Dairy. Auke Bruinsma has a separate farming entity
10 which provides silage to the Dairy, and also acts as the farm manager for the Dairy
11 itself. The farming operation consists of approximately 700 acres, raising feed for
12 the Dairy, along with an additional 17 acres of vineyard. The vineyard is leased out
13 to Auke Bruinsma on an annual basis for \$500.00 per acre.
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18 3. The Dairy has a number of free stall barns and open lot pens where the
19 cows are housed. Each free stall barn has approximately 1,000 cows in it,
20 consisting of pens of 500 cows on each side. Each cow has a stall where it may lie
21 down. Every pen has a feed bunk in which the total mixed rations (TMRs) fed to
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1 the cows are delivered by a feed truck. The cows are milked twice per day in a
2 central parlor. The parlor is a double 50 which handles 100 cows at a time. It
3 operates 22 hours per day. It is shut down for two hours each day for cleaning. In
4 addition, the Dairy also has its own feedlot at a separate location to raise and breed
5 the dairy heifers that will be transitioned into the milking herd. This allows the
6 Dairy to be self-sufficient in its cattle raising practices, ensuring that both genetic
7 quality and maximized heifer maturity is not left in the hands of third parties. The
8 Dairy grows a portion of its own feed, inclusive of hay, triticale, and corn. The
9 fields are usually double cropped. Corn, for silage, is harvested each year in
10 August to early October. The Dairy has its own wells to irrigate, meaning it is not
11 constricted by the use of Bureau water, maximizing crop rotation and growing
12 season. The 17 acre vineyard helps to add diversity to the crops grown at this
13 location. The Dairy is considered to be one of the cleanest and most well-run
14 dairies in the Yakima Valley.

15 4. Mensonides began having financial difficulties in 2015, after Agri-
16 King's product "Silo-King" was added to approximately 52,000 ton of silage
17 which was not palatable to the cattle. The cows did not like the strong vinegar

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1 smell and taste and ate less feed than normal. As a result, milk production
2 declined. In addition, the overall health of the dairy herd declined with a reduction
3 in production of milk. The loss of production together with depressed milk prices
4 which have continued to the present time rendered Mensonides unable to comply
5 with Farm Credit's loan requirements and Farm Credit's insistence that they submit
6 to a state court receivership. To avoid losing management control of the Dairy,
7 Mensonides was forced to file this Chapter 11 proceeding.
8

9
10 5. Mensonides are currently in a lawsuit, as plaintiffs, against defendant,
11 Agri-King, over its product Silo-King, which Mensonides allege caused the silage
12 issues, leading to the decline in the Dairy. Mensonides successfully defended two
13 summary judgment proceedings and the case is set for trial on May 20, 2019.
14 Mensonides have spent \$334,967.76 to prepare this case and Mensonides seeks to
15 recover damages of approximately \$6,000,000.00 in this lawsuit. The Bankruptcy
16 schedules included the lawsuit as an asset of the Bankruptcy Estate. The Dairy
17 was also sued in Yakima County in a class action alleging that the Dairy failed to
18 compensate employees for rest breaks, meal breaks, and pre, and post-shift work.
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1 Said lawsuit is covered under an insurance policy which has provided counsel to
2 represent the Dairy in this matter.

3 6. Northwest Farm Credit Services, FLCA and Northwest Farm Credit
4 Services, PCA (collectively "Farm Credit") are the two primary secured lenders to
5 the Debtors. The relationship between Debtors and Farm Credit began on or about
6 November 13, 2014. The Debtors' obligations to Farm Credit consist of loan
7 agreements, security agreements, and mortgages on real property. The combined
8 sum of the obligations owed to Farm Credit are approximately \$28,985,541.32 as
9 of the date of the filing. The Debtors' obligations to Farm Credit are documented
10 by one or more loan agreements, security agreements, mortgages on real property
11 and other loan documents. The claim is based upon: (a) a loan to obtain well
12 drilling equipment in the original principal amount of \$840,000; (b) a line of credit
13 for feed in the principal amount of \$4,243,701.13; (c) a line of credit for the cows
14 in the principal amount of \$8,660,514.41; (d) a refinance of existing debt in the
15 original principal amount of \$13,420,000.00; and (e) a forbearance note in the
16 original principal amount of \$3,000,000.00.
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23 DISCLOSURE STATEMENT -10

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1 7. Farm Credit's loans are cross collateralized and secured by
2 substantially all of the assets of the Debtors, including cattle, milk checks, crops,
3 farm products, inventory, accounts, receivable, equipment, and real property. Farm
4 Credit's collateral includes assets of non-Debtor affiliated companies, such as A &
5 T Drilling, LLC, solely owned by Art and Trijntje Mensonides. A & T Well
6 Drilling, LLC was an entity started to allow Mensonides to drill wells at the Dairy
7 to allow for beneficial use of all water rights at this location. A cost analysis was
8 done which supported buying drilling equipment to allow for drilling to be done by
9 Mensonides themselves. Once the well currently being drilled is complete, with an
10 estimate of February 2019, the Plan proposes selling the well drilling equipment.
11

12 8. As of June 1, 2018, Debtors were alleged to be in default on the Farm
13 Credit loans. Farm Credit called all of Debtors' obligations as due and payable, and
14 made demand upon the Debtors to turn over all collateral securing Farm Credit's
15 loans to Debtors, and further requested that Debtors allow a receiver to come in
16 and operate the Dairy.
17

18 9. In addition to the secured obligations of Farm Credit, the Debtors have
19 a variety of trade debts. The total of these debts is approximately \$6,100,000.00.
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1 The largest part of this trade debt is made up of obligations owed by the Dairy for
2 feed to keep the cattle in good shape and milking to their highest potential. Pre-
3 bankruptcy filing, the Dairy was able to stay current on all Farm Credit payments,
4 but at the expense of the trade vendors, who continued to supply feed and services
5 to allow this Dairy to continue operations. The current budget allows for feed and
6 services to be paid on a monthly basis, keeping these vendors current on post-
7 bankruptcy obligations.
8

9
10 Mensonides also has a debt of \$1,750,000.00 to FC Stone by reason of the
11 Dairy's failure to make a margin call in relation to hedging. The Dairy has used
12 hedging as a tool for many years to protect itself against extremes in the market. In
13 June, 2018, while in the midst of these issues with Farm Credit, the milk price took
14 a bump up resulting in the margin call from FC Stone. Directly following said
15 bump, the tariff issues caused a sharp decline in milk prices, which the Dairy was
16 not able to protect against because of the FC Stone margin call.
17
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19 10. The Dairy real estate has been appraised by Farm Credit, with the
20 appraisal values being used in the Bankruptcy schedules to determine a true and
21 correct value of the Dairy operation. Said value of the Dairy puts the entire Dairy
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operation (inclusive of additional commercial property) at a value of approximately \$53,000,000.00. In addition, Mensonides have a vacation home in Leavenworth that is planned to be marketed, with the funds used in these proceedings, as well as commercial property located in Yakima County that has been for sale. Mensonides also has well drilling equipment, which is cross-collateralized to FCS, which will be sold and funds applied per the Ch. 11 Plan. Mensonides are trying to free up capital by selling non-essential assets to pay down debt and allow for operating funds.

Mensonides Dairy LLC valuation based on Ch 11 Schedules:

Property	Scheduled Value
305 S Fisher Rd- Dairy Operation	\$23,800,000.00
Feedlot for heifers	\$2,660,000.00
All heifers under 15 months	\$992,100.00
Crops- feed for Dairy (harvested so not shown in Feed Inventory)	\$-0-
Equipment based on a modified appraisal done between KeyBank and Art Mensonides	\$4,735,904.80

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1		
2	Milking cows and far off dry cows	\$6,146,000.00
3	Springers/Closeups, and heifers 15+	\$2,874,000.00
4	months of age	
5	Feed Inventory on site	\$2,328,554.00
6	Feed Supplements	\$50,000.00
7	Compost Inventory	\$100,000.00
8		
9		
10	Darigold Contract	\$-0-
11		
12	Leavenworth Property	\$1,250,000.00
13	Commercial Property	\$1,997,500.00
14	Agri-King Lawsuit	\$6,000,000.00
15	Well Drilling Equipment	\$640,000.00
16	Investments from Co-ops (including	\$4,970,000.00
17	Darigold)	
18		
19		
20		
21	GRAND TOTAL	\$58,544,058.80

DISCLOSURE STATEMENT -14

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1 11. Mensonides has considerable equity in this Dairy after all debts are
2 paid in full. It is in the best interest of Mensonides and the Bankruptcy estate, to
3 get top dollar for this Dairy, if it is ever sold (which is not part of the plan).
4 Mensonides have also listed their commercial property located in Yakima County
5 for sale, and had a viable offer for a partial sale. Farm Credit objected to that sale.
6 The potential buyer then withdrew their offer, which was a considerably higher per
7 acre price than the appraisal completed by Farm Credit appraisers. Mensonides
8 have now determined that the best way to resolve the commercial property sale is
9 to proceed with a deed in lieu of foreclosure (“DIL”) granting the Debtor’s
10 Commercial Property to Farm Credit. In exchange for the DIL the Debtor’s shall
11 receive a credit against the balance due under the Operating Loan in the amount of
12 \$2,380,000.00 (this represents \$42,500/acre for 56 acres), per the terms of the Ch.
13 11 Plan.

14 Mensonides has researched potential listing agents and concluded that a
15 National firm would give the best exposure and opportunity to allow this Dairy to
16 be sold, if a sale needs to take place. Preparation of a marketing plan is a back-up
17 plan to protect against the potential for a further decline in the milk price for an

1 extended period of time. In the event the Dairy would need to be sold, and the Plan
2 proposed is not feasible, getting a marketing plan into place offers protection to
3 Mensonides as well as the creditors.

4
5 12. After considering various options and firms, Debtors have retained
6 and the Court has authorized AgriBusiness Trading Group to research and prepare
7 a marketing plan. While the Debtors' Plan is a reorganizational plan which relies
8 on the Debtors' future operations to repay creditors, the Debtors believe it was
9 prudent to retain AgriBusiness Trading Group so that they will be in a position to
10 immediately market the dairy, should the need arise. The Plan allows the unsecured
11 creditors to be paid in full over time without the sale of the Dairy.
12

13
14 13. Debtors filed for Chapter 11 Bankruptcy relief on June 14, 2018. The
15 cases were consolidated for ease of administration.

16
17 **B. The Bankruptcy Cases.**

18 14. Immediately upon filing for bankruptcy protection the Debtors filed a
19 motion to use cash collateral to allow the Debtors to protect, preserve, operate their
20 dairy as a going concern. The Court entered an emergency order approving the use
21 of cash collateral on June 19, 2018, a 2nd interim order approving the use of cash
22

1 collateral on September 14, 2018 ("Final Cash Collateral Order"). The Final Cash
2 Collateral Order authorized the Debtors, subject to certain restrictions, to: (a)
3 operate the dairy; (b) operate the heifer feedlot; (c) sell day old calves and continue
4 culling; (d) grow and harvest crops for cattle feed; and (e) market the dairy
5 operation.
6

7 15. Up to the time of filing of the bankruptcy, the milk price had been
8 lower than anticipated by those in the dairy industry. Debtors are hopeful that they
9 will receive an increase in milk price. Milk Pricing Assumptions as used in the
10 Budget for the plan are based upon current Darigold forecast (as of November
11 2018) with adjustments for the Dairy components. Darigold has posted price
12 projections through the balance of 2018 and 2019. Price projections for 2020 are
13 based on a five year historical average of Darigold pricing. Component pricing was
14 based on the Dairy's actual historical components. This is the most accurate
15 information available to forecast for Darigold clients. The Debtors' assumptions
16 will be detailed and included on the Budgets which are attached hereto as Exhibit
17 "2" and Exhibit "3."
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1 16. Mensonides has operated and continues to operate the Dairy with the
2 help of highly qualified experts. As of the date of this Disclosure Statement, the
3 Dairy has operated within the Cash Collateral budget. The Dairy has brought
4 together a highly qualified team of people which allows them to operate at top
5 level.
6

7 A) Dr. Scott Abbott is an expert on herd health and
8 helps manage the cattle inventory and determine genetic
9 selection criteria. Dr. Abbott visits the dairy and is the
10 dairy's vet. Dr. Abbott has vast experience in the dairy
industry.

11 B) Dr. Tim Bodine, Ph.D. is a livestock nutritionist
12 who works on the ration at the Dairy. Dr. Bodine is a
13 partner in Northwest Research and Nutrition, LLC, and
14 he monitors and makes feed recommendations based on
15 the overall herd condition, nutritional requirements,
milking ability, and ingredient availability.

16 C) Stacey Odette is the Reproductive team leader at
17 ABA Global, Inc. Ms. Odette advises on cattle breeding,
18 conception rates, milking quantity, calf prices, and herd
quality.

19 D) Stuart Turner is the owner of Turner & Company,
20 Inc. and is a State Certified Agronomist. Mr. Turner
21 advises on growing crops on the dairy and crop values.
22 Mr. Turner has knowledge on the timeline for harvesting
the crops as well as any needed inputs for the growing

1 crops. Mr. Turner also advises the Dairy on
2 environmental concerns and monitors water quality.

3 E) Marnie Bodine is a partner in Bodine Consulting
4 Services LLC, a company specializing in family business
5 advising and family wealth advising for agriculture
6 clients. Ms. Bodine advises on financial matters, helps
7 with reporting, as well as banking issues.

8 F) Brian Newhouse is a partner in Alegria and
9 Company, and is a CPA. Mr. Newhouse advises the Dairy
10 on tax and accounting issues relating to the Dairy and
11 works to compile the financial information needed to run
12 the Dairy.

13 With the help of these experts, Debtors have operated the dairy within the
14 projected budget through the course of the bankruptcy. Notwithstanding the lower
15 than expected prices, Debtors have been able to pay their costs and comply with
16 the terms of the cash collateral orders entered by the Court.

17 17. Pursuant to the Final Cash Collateral Order as well as the original loan
18 documents, the Debtors have been required to provide certain financial reporting to
19 Farm Credit, including balance sheets, income statements and budget vs. actual
20 comparisons for each month of operations during the period covered by the Final
21 Cash Collateral Order. The Debtors have also filed monthly operating statements
22 required by the Bankruptcy Code for the months of July 2018 – November, 2018.

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1 Copies of these monthly operating statements can be obtained from the Bankruptcy
2 Court's website at <http://www.waeb.uscourts.gov>.

3 18. Mensonides have employed Bailey & Busey, PLLC as legal counsel.
4 Dairy has employed Steven H. Sackmann and Toni Meacham as legal counsel.
5

6 19. The Debtors have obtained court approval to pay certain insiders
7 compensation as a result of their work for the Debtors.
8

9 20. Mensonides have employed AgriBusiness Trading Group and Dairy
10 has agreed to assume the executory contract with Calaway Company for feed
11 purchase of \$2,360,000.
12

13 **C. Assets & Liabilities of the Debtors.**

14 21. The Debtors assets and liabilities are set forth in Debtors' bankruptcy
15 schedules. Real property was appraised by Farm Credit and that appraisal was used
16 to value the Dairy property and the Feedlot. The Commercial property located in
17 Yakima County was listed for sale and had a viable offer to purchase 9.95 acres of
18 the total parcel at a price of \$42,500 per acre. The Debtors sought approval of the
19 offer but an objection was filed by Farm Credit. The offer was then withdrawn. The
20 offer amount has been used to value the Commercial property. Personal property
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1 (equipment, etc.) was appraised by KeyBank, Art Mensonides reviewed that
2 appraisal and updated it, which is how the equipment was valued for the
3 Bankruptcy schedules. Mensonides have a vacation home in Leavenworth, WA
4 which was valued by the real estate agent to obtain a listing price. Feed inventory
5 is a commodity which fluctuates due to being fed to the cattle. The cattle herd
6 value also fluctuates with the market, however, John Top, owner of Toppenish
7 Livestock valued the cattle herd based on his experience and knowledge, with said
8 value being used in the Bankruptcy schedules. The chart with the assets is above in
9 Article II(A)(10).
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14 Current and long term liabilities have been compiled on a monthly basis in a
15 compilation report which is filed with the Monthly Reporting Requirements in the
16 Chapter 11 Bankruptcy. Said current and long term liabilities as of September 30,
17 2018 are summarized as follows:
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	September 30, 2018
<u>Liabilities and Equity</u>	
Current liabilities	
Accounts payable, post-petition	\$272,965
Payroll liabilities	66,508
Accrued expenses, post-petition	311,929
Accrued interest payable, post-petition	556,167
Total current liabilities	<u>1,207,569</u>
Long-term liabilities	
Real estate loans, net of unamortized debt issuance costs, pre-petition	14,531,439
Equipment and hedging loans, pre-petition	2,117,753
Line of credit - feed, pre-petition	4,223,948
Line of credit - cow, pre-petition	8,591,831
Pre-petition payables	4,728,764
Total long-term liabilities	<u>34,193,735</u>
Total liabilities	<u>35,401,304</u>

22. A few additional points are important to note with respect to the assets and liabilities of the Debtors are as follows:

22.1 The Debtors' 2018 crops are valued at replacement value/feed value as said crops are used in the operation of the dairy.

22.2 The scheduled value of the Commercial Property is based upon a Farm Credit Appraisal with a \$1.5 million market value, or \$27,000 per acre. The Debtors received and accepted an offer of \$42,500 per acre for 9.95 acres, all cash

DISCLOSURE STATEMENT -22

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1 at closing. The sale would have increased the comparable sales price by
2 \$15,500.00 per acre for the remaining acres. After Farm Credit objected to the sale,
3 the offer was rescinded. The Debtors believe that the true fair market value of the
4 commercial property is between \$40,000-\$45,000/acre.
5

6 **D. Means of Implementing the Plan**

7 23. The Debtors' Plan proposes a joint and combined plan of
8 reorganization. On the Effective Date of the Plan (the "Effective Date") each of
9 the Debtors shall assume responsibility for all of the payments called for by the
10 Plan. The Debtors are sometimes referred to herein as the "Debtors" to reflect
11 their joint actions after confirmation of the Plan.
12

13 23.1 The payments contemplated by the Plan will be funded through
14 the operations and cash assets of the Debtors. The Debtors will assume and
15 conduct all of the Debtors' dairy operations, farming, and sales operations from
16 and after the Effective Date. The Debtors believe that cash flow generated from
17 the combined operations of the Debtors will be sufficient to fund all of the Plan
18 Obligations, after making operational changes described herein. The Debtors will
19 make the following operational changes to allow the plan to fund:
20
21
22

23 DISCLOSURE STATEMENT -23

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1 A) Mensonides Dairy (Dairy) will have an overall
2 herd reduction to an average of 4,800 head of cattle
3 milking twice daily, after which the Dairy will sell and
4 replace livestock in the ordinary course of business,
5 maintaining a milking herd of approximately 4800;

6 B) The reduction of the milking herd will allow
7 Mensonides to sell lower producing milk cows and
8 increase milk production from approximately 72 lbs. per
9 cow per day to approximately 78 lbs. per cow per day.
10 This production number is based on a nine-year running
11 average of Mensonides Dairy monthly production for the
12 higher producing cows;

13 C) The reduction of the milking herd will allow for a
14 decrease in overall feed costs, dairy supplies and
15 services, milk barn costs, and payroll reduced pro-rata
16 with herd size;

17 D) Payroll will be reduced by approximately 7% due
18 to the operational shift of milking two 10 hour shifts
19 rather than three 8 hour shifts.

20 E) Farm Credit will be given possession of the
21 commercial property, valued at \$42,500.00 per acre for
22 the total of approximately 56 acres. The total value of
23 \$2,278,000.00 will be applied to the first year of
24 payments due to Farm Credit under this plan;

25 F) Cattle sale proceeds related to the reduction in herd
size will be applied to outstanding administrative claims
and then used for operations;

1 G) When the well currently being drilled is completed,
2 the well drilling equipment will be sold to satisfy the
3 outstanding loan owed to Farm Credit, per the Ch 11
4 Plan. If the well drilling equipment cannot be sold for
5 enough to satisfy the debt, the well drilling equipment
6 will be abandoned to Farm Credit. If the well drilling
7 equipment is sold for more than the debt, the excess
8 funds will be used to pay plan payments;

9 H) Debtor also has a lawsuit against Agri-King. If
10 settled or a judgment entered in favor of the Debtor,
11 those funds will be applied 25% to the Unsecured
12 Claims, 25% to Farm Credit Operating Line, and 50% for
13 Dairy Operations ;

14 I) Debtor is currently attempting to sell the vacation
15 home in Leavenworth. The asking price is \$1,250,000.00
16 and the underlying debt owed to Wells Fargo is
17 \$203,401.31. Upon sale of the Leavenworth home, the
18 equity will be applied as follows: 25% to the Unsecured
19 Claims, 25% to Farm Credit Operating Line, and 50% for
20 Dairy Operations.

21 J) The Debtor currently has accrued patronage
22 dividends. The Patronage values are as follows :

As of 09/30/2018

Investment in NDA	3,740,081.34
Unissued Retains - NDA	966,016.59
Investment in Benton REA	223,787.85
Investment in Bleyhl	70,880.25
Investment in Land O'Lakes	56,156.00
Investment in All West/Select Sir	39,434.90

Debtor does not control when patronage is received. Debtor has proposed in the plan that any patronage funds that are received be set off against any obligation owed to any co-op creditor and/or be allocated as follows: 25% to the Unsecured Claims, 25% to Farm Credit Operating Line, and 50% for Dairy Operations.

23.2 Post-Confirmation Operations. As of the Effective Date, and subject to the terms of the Plan, the Debtors, shall be free to operate the dairy and farm the properties which they own according to such terms and conditions as the Debtors may elect in their sole discretion. In addition, after the Effective Date, the Debtor may, without limitation, enter into such leases, sub-leases or other agreements as the Debtors may deem desirable. Currently the Dairy property is owned personally by Art and Theresa Mensonides and leased to Mensonides Dairy, LLC. A second lease is for the vineyard to be leased to Auke Bruinsma. The Debtors shall not be required to obtain Court approval with respect to any of its post-confirmation operations. As of the Effective Date, and subject to the terms of the Plan, the Debtors shall be authorized, without Court approval, to enter into any loan or financing agreements which the Debtors deem necessary or desirable in order to effectuate their operations; provided, that the repayment and collateral rights of Farm Credit under the Plan and the repayment and collateral rights of the

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1 other secured creditors under the Plan shall not be impacted by any such post-
2 confirmation loan or financing agreements until such creditors are paid in full
3 pursuant to the terms of the Plan.

4
5 23.3 Execution of Documents by Debtors. To the extent they are not
6 already obligated with respect to a Plan Liability, the Debtors shall execute such
7 documents as any creditor/claimant/lessor may reasonably require in order to
8 evidence the Debtor's obligation to such creditor/claimant/lessor under the Plan.
9
10 Disputes with respect to the reasonableness of any such documents shall be
11 resolved by the Bankruptcy Court after reasonable efforts to reach agreement by
12 the parties.

13
14 23.4 Payment of Insider Compensation by Debtor. The Debtor
15 intends to continue employing insiders to perform services for the Debtors under
16 the Plan. The compensation to be paid to insiders prior to the Effective Date will
17 be the amounts described in Exhibit "5." Currently the insiders working at the
18 Dairy are Auke Bruinsma, Amy Mensonides, Kristyn Mensonides, Joreen
19 Bruinsma, Art and Theresa Mensonides. All insiders were originally disclosed on
20 the Ch 11 Bankruptcy Schedules. No insiders have been added since the date of
21
22

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1 filing. Auke Bruinsma also grows corn silage and sells it to the Dairy, with pre-
2 petition debt owed based on this transaction. The Ch. 11 plan proposes to pay Auke
3 Bruinsma as an unsecured creditor.

4
5 Debtor may increase or decrease the salaries of insiders during the term of
6 the Plan. In addition, the Dairy may make distributions to its members, Art and
7 Theresa Mensonides, depending upon the financial performance of the Debtors.
8 The Debtors shall not make distributions to insiders or members which would
9 cause the Debtors not to be able to make the payments called for by the Plan.
10

11 12 **E. Projected Operations of Debtor.**

13
14 24. The Debtors have prepared a 2019-2020 budget related to their
15 combined operations (“Budget”). The Budget represents the Debtors’ estimate of
16 their combined operation from January, 2019 through December 2020 and lists the
17 budget assumptions necessary for said projections (Exhibits “2-3”). The budget
18 includes all plan payments. The Debtors believe and assert that the Debtors’
19 projected budget will provide sufficient cash flow to allow the Debtors to fund
20 their operations as well as to pay the Plan Liabilities, along with the operational
21
22

1 changes described herein. The Debtors believe the Budget is representative of the
2 Debtor's operations going forward under the Plan. The term of the Plan is
3 significantly longer than the 2019-2020 budget period. However, the Debtors
4 believe that operations in subsequent years will be substantially similar to those
5 contained in the 2020 Budget. While the prices and expenses are anticipated to
6 vary from year to year, the projections contained in the Budget are based upon
7 historical price information which the Debtors believe will be valid over time.
8

9
10 25. Debtors' Budget projects that the Debtors' milk production will be
11 approximately 78 lbs. of milk per cow based on historic averages of the top
12 producing cows for this Dairy. The Dairy sells cull cows through Toppenish
13 Livestock Market at market price, which is projected at \$156,000.00 per month,
14 and day old calf sales projected at \$10,638.00 per month. Dairy has a contract with
15 Darigold ensuring sale of milk produced at this Dairy. The milk price is based on
16 current Darigold forecasts by month with adjustments for the historical component
17 pricing that the Dairy receives.
18

19
20 26. The Budget details the combined net income from operations for the
21 period January 1, 2019 through December 21, 2020 (which is the income which
22

1 would be utilized to make projected plan payments in the years of the Plan). The
2 combined net cash flow is projected to be approximately \$5,712.956.00 for that
3 period. This net income will be sufficient to make all payments called for by the
4 Plan during the budget period. The Budget shows the projected payment
5 obligations of the Debtors during the first twenty-four (24) months of the Plan.
6 The projected plan payments in the first twenty-four months are approximately
7 \$5,023,997.00 not including any payments which may be realized through the
8 assets described above (i.e. Leavenworth, Agri-King, Patronage, etc.) .
9
10
11

12 **G. Claims Against the Debtors.**

13
14 27. The Debtors' Bankruptcy schedules were filed with the Court on July
15 12, 2018. Subsequently, a number of creditors filed claims against the Debtors.
16 The deadline for filing proofs of claim was November 7, 2018. Claims are
17 represented at the value listed in the Debtors' bankruptcy schedules, unless a
18 creditor has filed a proof of claim, in which case the amount described in the proof
19 of claim is used.
20
21
22

1 28. Total secured claims against the Debtor are approximately
2 \$28,857,218.16 which is comprised largely of the secured claim of Farm Credit.

3 32. Total unsecured claims against the Debtors are approximately
4 \$6,624,953.68 including trade creditors claims of \$4,871,540.98 and FC Stone debt
5 of \$1,753,412.70.
6

7 33. In addition to the claims reflected on below in the unsecured creditor's
8 chart under Class 10 below, the Debtors have incurred certain administrative
9 expenses in the form of attorneys' fees and costs which will be payable under the
10 Plan. The Debtors do not know the exact amount of these fees and costs, however,
11 Steven H. Sackmann and Toni Meacham are currently seeking approval of fees and
12 costs of \$160,493.30 and \$76,920.00, respectively, calculated through October 15,
13 2018. Debtors have obtained authority to pay their legal counsel a portion of their
14 attorneys' fees and costs on a monthly basis. Debtors have been paying these fees
15 under the Final Cash Collateral Order and thus the attorneys' fees due on the
16 Effective Date are not anticipated to be as significant as they might otherwise be.
17
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19

20 Debtors believe they are current in the payment of all pre-petition tax except for
21 the IRS claim of \$38,821.71. The Debtors believe they are current in the payment
22

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1 of all pre-petition and post-petition wage and employee benefit claims. The
2 Debtors are not aware of any other administrative or priority claims which may be
3 asserted against the Debtors.

4
5 34. Leases- The following executory contracts and leases will be assumed
6 by the Debtors under the Plan and will be deemed automatically assigned to the
7 Debtors on the Effective Date:

8
9 34.1. Simplot and Debtors are parties to a Calf Breeding and
10 Production Agreement dated 4/11/18. Agreement will be assigned to the Debtors
11 on the Effective Date.

12
13 34.2. Northland Capital and Debtors are parties to a Lease with Option
14 dated on or about 2/29/16 for a period of 60 months. This piece of equipment is
15 needed to make compost out of the Dairy manure. Composting of the manure
16 allows for Dairy to recognize a value added product that the Dairy can then
17 market. Debtors propose to assume the Northland Capital lease and assign the
18 same to the Debtors on the Effective Date.
19
20
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1 34.3 Auke Bruinsma is the Lessee on a vineyard owned by the Debtors
2 on an annual basis at \$500.00 per acre for 17 acres. Payment is due upon Mr.
3 Bruinsma selling the crop. Debtors propose to assume the lease under the Plan.
4

5 34.4 Art and Theresa Mensonides are the owners of the real property
6 used in the Dairy operation. Mensonides has a lease between themselves and the
7 Dairy for use of the Dairy property. That lease is necessary for the ongoing
8 operation of the Dairy and is proposed to be assumed under the Plan.
9

10 35. Insider & Related Party Claims. On the Petition Date, the Debtors
11 owed money to certain Insiders (collectively “Insider Claims”). Said claims have
12 been previously detailed, but to summarize, Auke Bruinsma, Debtors' son-in-law
13 sold corn silage to the dairy pre-petition and will treated as an unsecured creditor
14 under the Ch 11 Plan.
15
16
17

18 **III. THE DEBTOR’S PLAN**

19 **A. Summary of Plan.**

20 The Debtors’ Plan establishes FOURTEEN (14) classes of creditors and
21 equity security holders, which are generally as follows:
22

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- 1
- 2 Class 1: Administrative Claims – Professionals
- 3 Class 2: Administrative Claims - Other
- 4
- 5 Class 3: Claims of the Internal Revenue Service
- 6
- 7 Class 4: Secured Claims of Northwest Farm Credit Services,
8 FLCA and Northwest Farm Credit Services, PCA (collectively **“Farm Credit”**)
- 9 Class 5: Secured Claims of Ag Country Farm Credit Services
- 10 Class 6: Secured Claims of AgCo Finance LLC
- 11
- 12 Class 7: Secured Claims of Balboa Capital
- 13 Class 8: Secured Claims of Deere
- 14 Class 9: Claims of Northland Capital Financial Services
- 15
- 16 Class 10: Unsecured Claims
- 17 Class 11: Secured Claims of Wells Fargo Home Mortgage
- 18 Class 12: Unsecured Claims – Administrative Convenience
- 19
- 20 Class 13: Claims Between Individual Debtors and the Dairy
- 21 Class 14: Equity Security Holders
- 22

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1 Under the Debtors' Plan, the Debtors believe that all creditors in Classes 1-
2
3 13 will receive payment of one hundred percent (100%) of the principal amount of
4 their claims as well as interest as described below (unless said claimant elects to be
5 treated as an Administrative Convenience Claim). Class 14 claimants Art and
6 Theresa Menzonides will retain their ownership interests in the Debtors and the
7 Debtor.
8

9
10
11 **B. Proposed Plan Treatment of Each Class of Claims.**

12 **Class 1. Administrative Expenses – Professionals.**

13 **(a) Classification.** Class 1 consists of all Allowed Claims of
14 professionals entitled to priority under Section 507(a) of the Bankruptcy Code.
15

16 **(b) Treatment.** The holder of a Class 1 Allowed Claim will receive cash
17 in the full amount of such Allowed Claim on the later of: (a) fourteen (14) days
18 after the Effective Date of the Plan; or (b) ten (10) days after the Court has entered
19 an order approving such fees and costs in accordance with the Bankruptcy Code
20 and Bankruptcy Rules.
21

22 **(c) Non-impairment.** Class 1 is not impaired.
23

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1 **Class 2. Administrative Claims – Non-Professionals**

2 (a) **Classification.** Class 2 consists of any administrative claims against
3 the Debtors other than claims arising from the Debtor's employment of
4 professionals pursuant to 11 U.S.C. §327.
5

6 (b) **Treatment.** The Debtor shall pay all Administrative Claims in
7 full within one hundred twenty (120) days following the Effective Date of the Plan.
8

9 **Class 3. Claims of the Internal Revenue Service.**

10 (a) **Classification.** The Class 3 Claim of the Internal Revenue Service
11 consists of the pre-petition tax claims held by the Internal Revenue Service against
12 the Debtors.
13

14 (b) **Description.** The Internal Revenue Service has filed a proof of
15 claim against Mensonides Dairy, LLC and a claim against Art & Theresa
16 Mensonides. The claim against the Dairy is in the amount of \$38,821.71. The
17 claim against Art & Theresa Mensonides results from the Internal Revenue Service
18 assessing a 100% penalty against the individuals based upon non-payment by the
19 Dairy.
20
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1 (c) **Payment.** The Debtors shall pay the full amount of the IRS Claim
2 against the Dairy, with interest at the rate provided for by the Internal Revenue
3 Code no later than one hundred twenty (120) days from the Effective Date.
4 Payment of the IRS Dairy claim shall also constitute payment in full of the IRS
5 Claim against Art & Theresa Mensonides.
6

7 (d) **Release.** Upon full payment of the IRS Claim against the Dairy,
8 the IRS shall, within thirty (30) days, release any liens, warrants or other notices
9 which it has filed or recorded against the Debtors.
10

11
12 **Class 4. Secured Claim of Northwest Farm Credit Services, FLCA**
13 **and Northwest Farm Credit Services, PCA (collectively “Farm Credit”)**
14

15 (a) **Classification and Description of Class 4 Claim.** The Class 4 Claim
16 consists of the Allowed Secured Claim of Northwest Farm Credit Services, FLCA
17 and Northwest Farm Credit Services, PCA (collectively “Farm Credit”) pursuant to
18 §506 of the Bankruptcy Code.
19

20 (b) **Basis for Claim:** Northwest Farm Credit Services, FLCA and
21 Northwest Farm Credit Services, PCA (collectively “**Farm Credit**”) has asserted
22

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1 a secured claim against the Debtors, in the amount of \$28,985,541.32 (per Farm
2 Credit's filed proof of claim), which includes principal, interest, default interest,
3 attorneys' fees and other costs and charges. The Debtors' obligations to Farm
4 Credit are documented by one or more loan agreements, security agreements,
5 mortgages on real property and other loan documents. Farm Credit's loans are cross
6 collateralized and secured by substantially all of the assets of the Debtors,
7 including cattle, milk checks, crops, farm products, inventory, accounts, receivable,
8 equipment, and real property.¹ Farm Credit's collateral includes assets of non-
9 Debtor affiliated companies, such as A & T Drilling, LLC, solely owned by Art and
10 Trijntje Mensonides. The claim is based upon: (a) a loan to obtain well drilling
11 equipment in the original principal amount of \$840,000; (b) a line of credit for
12 feed in the principal amount of \$4,243,701.13; (c) a line of credit for the cows in
13 the principal amount of \$8,660,514.41; (d) a refinance of existing debt in the
14 original principal amount of \$13,420,000.00; and (e) a forbearance note in the
15 original principal amount of \$3,000,000.00. Copies of the loan, collateral, security
16 and other documents existing prior to the filing of the Bankruptcy Case that
17
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22 ¹ Farm Credit does not have a mortgage or lien against the Leavenworth Property.

1 evidence the Farm Credit claim are attached to Farm Credit's proof of claim filed
2 in each of the Debtors' cases, and are referred to herein as the **"Farm Credit Pre-
3 Petition Loan Documents."**

4
5 The Debtors' obligations to Farm Credit are secured by substantially all of
6 the real and personal property assets of the Debtors. In addition to the security
7 interests and mortgage liens granted to Farm Credit under the Farm Credit Pre-
8 Petition Loan Documents, Farm Credit was granted a post-petition lien and
9 security interest against the Debtors' post-petition cash collateral assets as adequate
10 protection for the use of Farm Credit's cash collateral during the pendency of the
11 Bankruptcy Case.
12

13
14 (c) **Treatment.** Farm Credit's secured claim, including interest, late
15 charges, and legal fees shall be calculated as of the Effective Date, with notice of
16 such calculation to be given to the Debtors, the U.S. Trustee, the Committee, and
17 any other party requesting such notice. The amount of all interest, legal fees, late
18 charges and other amounts which are due to Farm Credit as of the Effective Date
19 shall be capitalized into the balance of Farm Credit's allowed secured claim
20
21 **("Farm Credit Claim Balance").**
22

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25

1 (i) Allocation of Farm Credit Claim: The Farm Credit Claim
2 Balance shall be broken into a real estate loan of \$19,845,000 (“**Real Estate**
3 **Loan**”) and an operating loan equal to the difference between the Farm Credit
4 Claim Balance and the Real Estate Loan (“**Operating Loan**”).
5

6 (ii) The Real Estate Loan: The balance of the Real Estate Loan
7 shall be amortized over a period of twenty-five (25) years at an annual fixed
8 interest rate of 3.55% per annum. Commencing on the last day of the month
9 following the month in which the Effective Date occurs, the Debtors shall
10 commence making monthly payments of principal and interest on the Real Estate
11 Loan in the amount of \$102,344.00. Unless otherwise provided for or excused
12 pursuant to this Plan, subsequent payments of \$102,344.00 shall be made on the
13 last day of each subsequent month until the Real Estate Loan has been paid in full.
14
15

16 (iii) The Operating Loan: The Operating Loan shall accrue
17 interest at the rate of five percent (5%) per annum. The Operating Loan shall be
18 paid as follows: (a) For a period of twelve (12) months, commencing on the last
19 day of the month following the month in which the Effective Date occurs (and
20 continuing on the last day of each of the subsequent eleven (11) months), the
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1 Debtors shall make monthly interest only payments on the Operating Loan
2 (“**Interest Only Payments**”); (b) Commencing on the last day of the month
3 following the last Interest Only Payment, the Debtors shall make monthly
4 payments of principal and interest on the Operating Loan in the amount of
5 \$100,000 until the Operating Loan is paid in full.
6

7 (iv) Liquidation of Commercial Property: No later than ten (10)
8 days after the Effective Date, the Debtors shall provide Farm Credit with a non-
9 merger quitclaim deed in lieu of foreclosure (“**DIL**”) to the Debtor’s Commercial
10 Property. In exchange for the DIL the Debtor’s shall receive a credit against the
11 balance due under the Operating Loan in the amount of \$2,380,000.00 (this
12 represents \$42,500/acre).
13
14

15 (v) Liquidation of Well Drilling Equipment: Within ten (10)
16 days of the Effective Date, the Debtors shall list for sale the well drilling
17 equipment that was financed by Farm Credit. The proceeds from the sale of the
18 well drilling equipment shall be used to pay down the principal balance of the
19 Operating Loan. The Debtor shall provide Farm Credit with five (5) days’ written
20 notice of any proposed sale of the well drilling equipment (which notice shall
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1 include a copy of any written purchase and sale agreement). Upon receipt of such
2 notice, Farm Credit shall have the following options: (a) release its security
3 interests and liens against the well drilling equipment and accept the Net Proceeds
4 as payment under the Operating Loan; or (b) accept a quitclaim bill of sale to the
5 well drilling equipment from the Debtors in exchange for a reduction in the
6 principal balance of the Operating Loan in an amount equal to the sales price under
7 the purchase and sale agreement being proposed by the Debtors.
8

9
10 (vi) Liquidation of Excess Cows: The Debtor's operational plan
11 calls for the Debtors to reduce the size of their milking herd to 4,800 cows from its
12 current levels. Upon the Effective Date, the Debtors shall commence selling cows
13 and heifers ("**Excess Cows**") to reduce the herd to 4,800 milking cows within six
14 (6) months of the Effective Date. The Debtor shall consult with its experts as to
15 the optimal timing as to when the sales of cattle should occur, however the herd
16 shall be reduced to 4,800 milking cows within six (6) months of the Effective Date.
17
18 The proceeds from the sale of the Excess Cows shall be used as follows to pay
19 valid administrative claims against the Debtors on or after the Effective Date. The
20
21
22

1 remaining proceeds from the Excess Cows shall be retained by the Debtor for use
2 as operating capital.

3 (vii) The Agri-King Lawsuit: The Debtors shall be authorized to
4 continue pursuing the Agri-King Lawsuit and to pay any costs related to the
5 prosecution of such Agri-King Lawsuit under the Plan. The Debtors are authorized
6 in their sole discretion to resolve and/or settle the Agri-King Lawsuit on such terms
7 as the Debtors deem advantageous. Any net proceeds received by the Debtors
8 from the resolution of the Agri-King lawsuit shall be paid as follows: (a) twenty-
9 five percent (25%) of the net proceeds shall be paid to reduce the principal balance
10 due on the Operating Loan; (b) twenty-five percent (25%) of the net proceeds shall
11 be distributed to unsecured creditors on a pro rata basis; and (c) fifty percent of the
12 net proceeds (50%) shall be retained by the Debtors for operational purposes.

13
14 (viii) The Leavenworth Property: The Debtor shall be authorized
15 (but not obligated) to sell the Leavenworth Property under this Plan. In the event
16 the Debtors sell the Leavenworth Property, the proceeds from the sale shall be used
17 first to: (a) pay any commissions, taxes (including capital gains taxes), title
18 insurance fees and other customary costs and fees of closing; and (b) to pay the full
19

1 remaining balance of the Wells Fargo Home Mortgage secured claim. The net
2 proceeds from the Leavenworth Sale shall be distributed as follows: (a) twenty-five
3 percent (25%) of such net proceeds shall be paid to Farm Credit to pay down the
4 Operating Loan (or the Real Estate Loan if the Operating Loan has been paid in
5 full); (b) twenty-five percent (25%) of the net proceeds shall be distributed to
6 unsecured creditors on a pro rata basis; and (c) fifty percent (50%) of the net
7 proceeds shall be retained by the Debtors as working capital.
8

9
10 (ix) Sale or Disposition of Feedlot Property: The Debtor shall
11 be authorized (but not obligated) to sell the Feedlot Property under this Plan. In
12 the event the Debtors sell the Feedlot Property, the proceeds from the sale shall be
13 used first to pay any commissions, taxes (including capital gains taxes), title
14 insurance fees and other customary costs and fees of closing. The net proceeds
15 from the Feedlot Property Sale shall be paid to Farm Credit to pay down the Real
16 Estate Loan. The Debtor shall be authorized to lease the Feedlot Property during
17 the term of the Plan. Any lease proceeds received by the Debtor shall be used by
18 the Debtor for operational purposes.
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1 (x) Credit Against Payment Obligations: In the event Farm Credit
2 receives any payments from the sale, liquidation and/or settlement of: (a) the
3 Leavenworth Property; (b) the Agri-King lawsuit; (c) the well drilling equipment,
4 such payments shall be credited against the Debtors future obligations to make
5 payments on the Operating Loan (but not the Real Estate Loan). For example, if
6 on December 31, 2020, Farm Credit receives \$500,000 from the sale of the
7 Leavenworth Property, the Debtors would be excused from making the next five
8 (5) monthly payments (each in the amount of \$100,000) due on the Operating
9 Loan. In the event Farm Credit receives any payments from the sale or disposition
10 of the Feedlot Property, such payments shall be credited against the Debtors future
11 obligations to make payments on the Real Estate Loan (but not the Operating
12 Loan). For example, if on December 31, 2020, Farm Credit receives \$500,000
13 from the sale of the Feedlot Property, the Debtors would be excused from making
14 approximately the next five (5) monthly payments (each in the amount of
15 \$102,344) due on the Real Estate Loan.
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1 (xi) Prepayment: Notwithstanding any provision to the
2 contrary in the Farm Credit Loan Documents, the Debtors may pre-pay the
3 Operating Loan and/or the Real Estate Loan at any time without penalty or cost.

4 (xii) Prepayment of Operating Loan: The Debtor has the option of
5 segregating and paying separately the Operating Loan. If the Debtor elects to
6 prepay the Operating Loan, Farm Credit shall be obligated to release all of its
7 collateral except the Dairy Real Estate in exchange for full payment of the
8 remaining balance of the Operating Loan.
9

10
11 (d) **Additional Plan Provisions:**

12 (i) Farm Credit's proofs of claim assert that Farm Credit is
13 owed (as of November 15, 2018) the sum of \$28,985,541.32, which includes
14 principal, interest, default interest, attorneys' fees, termination fees and other
15 amounts provided for under the Farm Credit Pre-Petition Loan Documents.
16 Additional amounts shall continue to accrue under the Farm Credit Pre-Petition
17 Loan Documents between prior to confirmation of this Plan.
18

19 (ii) Unless the parties have previously agreed upon the
20 amount of the Farm Credit Claim Balance, Farm Credit shall deliver to the
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1 Debtors, the U.S. Trustee and to counsel for the Creditor's Committee, no later
2 than five (5) days after the Effective Date, an itemized statement showing the
3 balances Farm Credit contends the Debtors owe and which should be included as
4 part of the Farm Credit Claim Balance (including separate classification of
5 principal, interest, late fees, default interest, attorneys' fees, consultant charges or
6 other amounts). Any interested party, including the Debtors shall have thirty (30)
7 days to challenge the amount of the Farm Credit Claim Balance. In the event of a
8 challenge, the Farm Credit Claim Balance shall be the amount determined by the
9 Bankruptcy Court or otherwise agreed upon by the parties. Notwithstanding any
10 dispute as to the Farm Credit Claim Balance, the Debtor shall make payments on
11 the Operating Loan and Real Estate Loan pending resolution of any claims dispute.
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15 (iii) Except as provided herein, the Farm Credit Claim Balance shall
16 continue to be secured by any collateral described in the Farm Credit Pre-Petition
17 Loan Documents. To the extent Farm Credit had a valid, perfected, first priority,
18 pre-petition security interest in a category or type of the Debtor's assets, Farm
19 Credit shall be granted under this Plan a first priority security interest and lien in
20 all of the Debtors' and the Debtor's presently existing and after-acquired post-
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23 DISCLOSURE STATEMENT -47
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petition and post-confirmation assets of the same category or type. Notwithstanding the foregoing, nothing contained herein shall be deemed to grant Farm Credit a lien or security interest in (and Farm Credit shall not have such a lien or security interest): (a) any real estate upon which it did not hold a valid, perfected, first priority, pre-petition mortgage or lien; or (b) any patronage or similar dividends, rights or benefits which the Debtor may receive after the Effective Date, whether or not such dividends were subject to Farm Credit's pre-petition liens and security interests.

(iv) After the Effective Date, the Debtors shall provide Farm Credit with the following financial reporting:

(a) A proposed annual budget detailing the Debtors projected operations for each year under the Plan ("**Budget**"). The Budget shall detail the Debtors projected income and expenses as well as the assumptions underlying those projections. The Budget shall be delivered to Farm Credit no later than December 15 of the year prior to the applicable budget period. For example, the projected 2020 Budget would be provided no later than December 15, 2019.

1 (b) Monthly CPA produced income statements shall be
2 provided no later than the thirtieth (30th) day of the month following the period the
3 income statement relates to.

4 (c) All federal tax returns filed by the Debtor shall be
5 provided to Farm Credit no later than thirty (30) days after the same have been
6 filed with the Internal Revenue Service.

7 (d) As of the Effective Date, but subject to the provisions
8 allowing for a challenge to the Farm Credit Claim Amount (as provided above) the
9 Debtors will acknowledge that they have no claims, defenses or offsets to the Farm
10 Credit Claim Amount.

11 (v) On the Effective Date, and with respect to the
12 Debtors only, all defaults under the Farm Credit Pre-Petition Loan Documents shall
13 be deemed either waived or cured, and Farm Credit shall thereafter have the rights
14 granted to it under this Plan.

15 (e) Impairment. Pursuant to Section 1124 of the
16 Bankruptcy Code, Class 4 is impaired.

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23 DISCLOSURE STATEMENT -49

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1 **Class 5. Secured Claim of Ag Country Farm Credit Services.**

2 **(a) Classification.** The Class 5 Claim consists of the Allowed Secured
3 Claim of Ag Country Farm Credit Services pursuant to §506 of the Bankruptcy
4 Code.

5 **(b) Basis for Claim:** Ag Country Farm Credit Services (“ACFCS”)
6 extended a purchase money for the Debtors to purchase chillers for the milk barn
7 and a 624J John Deere Loader. The Debtor has listed the total amount of the
8 ACFCS claim to be \$89,864.02. No proof of claim has been filed by ACFCS at this
9 time.
10

11 **(c) Treatment.** ACFCS’s secured claim, including interest, late charges,
12 and legal fees shall be calculated as of the Effective Date. The amount of all
13 interest, legal fees, late charges and other amounts which are due to ACFCS as of
14 the Effective Date shall be capitalized into the balance of ACFCS’s allowed
15 secured claim (“ACFCS Claim Balance”). The ACFCS Claim Balance shall be
16 divided into two (2) claims, a) one for the 624J John Deere Loader, which shall
17 accrue interest at the rate of zero percent (0%) per annum from the Effective Date
18 until paid in full; and b) one for the Chillers, which shall accrue interest at the rate
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1 of three point one five percent (3.15%) per annum from the Effective Date until
2 paid in full, which are the contracted interest rates for these pieces of equipment.
3 The ACFCS Claim Balance shall be paid as follows: (a) \$8,564.62 per month
4 through March 1, 2019, at which point the 624J John Deere Loader will be paid in
5 full; and (b) remaining quarterly payments of \$5,362.48 will continue until the
6 ACFCS Claim Balance is paid in full. The ACFCS Claim Balance shall continue
7 to be secured by the liens provided for in ACFCS's pre-petition loan documents.
8

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10 **(d) Additional Provisions.** Upon full payment of the ACFCS Claim
11 Balance, ACFCS shall release any lien or security interest it may have against the
12 Debtor's assets.
13

14 **(e) Cure of Defaults.** All defaults in respect of the ACFCS Claim
15 Balance shall be deemed cured as of the Effective Date.
16

17 **(f) Prepayment.** The Debtor may prepay any or all the principal
18 amount of the ACFCS Claim Balance, and any such prepayment shall be credited
19 against the payments next due under this Plan.
20

21 **(g) Impairment.** Class 5 is impaired.

22 **Class 6. Secured Claim of AgCo Finance LLC.**

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1 **(a) Classification.** The Class 6 Claim consists of the Allowed Secured
2 Claim of AgCo Finance LLC pursuant to §506 of the Bankruptcy Code.

3 **(b) Basis for Claim.** AgCo Finance LLC (“**AgCo**”) provided purchase
4 money financing for the purchase of a Massey Ferguson baler. AgCo filed a proof
5 of claim on July 17, 2018 with a pre-petition balance of \$35,949.33.
6

7 **(c) Treatment.** AgCo’s secured claim, to the extent any balance remains
8 due at confirmation, including interest, late charges, and legal fees shall be
9 calculated as of the Effective Date. The amount of all interest, legal fees, late
10 charges and other amounts which are due to AgCo as of the Effective Date shall be
11 capitalized into the balance of AgCo’s allowed secured claim (“**AgCo Claim**
12 **Balance**”). The AgCo Claim Balance shall accrue interest at the zero percent
13 (0%) per annum from the Effective Date until paid in full. After confirmation the
14 Debtor shall continue to the payments to AgCo as called for by the AgCo pre-
15 petition loan documents until the AgCo Claim Balance is paid in full. The AgCo
16 Claim Balance shall continue to be secured by the liens provided for in AgCo’s
17 pre-petition loan documents.
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1 **(d) Additional Provisions.** Upon full payment of the AgCo Claim
2 Balance, AgCo shall release any lien or security interest it may have against the
3 Debtor's assets.

4 **(e) Cure of Defaults.** All defaults in respect of the AgCo Claim Balance
5 shall be deemed cured as of the Effective Date.

6 **(f) Prepayment.** The Debtor may prepay any or all the principal
7 amount of the AgCo Claim Balance, and any such prepayment shall be credited
8 against the payments next due under this Plan.
9

10 **(g) Impairment.** Class 6 is not impaired.

11 **Class 7. Secured Claim of Balboa Capital**

12 **(a) Classification.** The Class 7 Claim consists of the Allowed Secured
13 Claim of Balboa Capital pursuant to §506 of the Bankruptcy Code.

14 **(b) Basis for Claim.** The Claim of Balboa Capital results from Balboa
15 financing a Custom Corn Grinder; 75 HP Motor; Mill Stand; Frequency Drive
16 230/460 Roll Feeder; 2 spare 12x52 Roll pair; 2 spare 220 Bearing Housing
17 Assembly; and C-30HDG Mayco grout pump and accessories (**"Balboa**
18 **Collateral"**). Balboa has filed a motion for relief from the automatic stay in which
19

1 it contends that the balance due under the contract is \$167,507.67. Balboa Capital
2 claims a security interest and lien in Balboa Collateral to secure the balance due
3 under Balboa's pre-petition loan documents. Debtors claim that the Balboa
4 Collateral is necessary for an effective reorganization.
5

6 **(c) Treatment.** The Balboa claim shall be divided into a secured and
7 unsecured portion. The Balboa Secured Claim shall be equal to Forty Thousand
8 and no/100 United States Dollars (\$40,000.00) (which the Debtor contends is the
9 value of the Balboa Collateral ("**Balboa Secured Claim**"). The remainder of
10 Balboa's claim shall be treated as an unsecured claim and shall be dealt with in
11 Class 10 of the Plan. The Balboa Secured Claim shall accrue interest at the rate of
12 six percent (6%) per annum from the Effective Date. The Debtor shall make
13 monthly payments on the Balboa Secured Claim, commencing on the last day of
14 the month following the date in which the Effective Date occurs, in the amount of
15 Five Thousand and no/100 Dollars (\$5,000) until the Balboa Secured Claim is paid
16 in full.
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20 **(d) Additional Provisions.** Balboa's lien and security interest in the
21 Balboa Collateral shall continue until the Balboa Secured Claim is paid in full.
22

1 Upon payment of the Balboa Secured Claim in full, Balboa shall release its
2 security interests and liens in the Balboa Collateral.

3 **(e) Cure of Defaults.** All defaults with respect to the Balboa Secured
4 Claim shall be deemed cured as of the Effective Date.

5 **(f) Prepayment.** The Debtor may prepay any or all of the principal
6 amount of the Balboa Secured Claim, and any such prepayment shall be credited
7 against the payments next due on the Balboa Secured Claim under this Plan.
8

9 **(g) Impairment.** Pursuant to Section 1124 of the Bankruptcy Code,
10 Class 7 is impaired.
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14 **Class 8. Secured Claim of John Deere Construction & Forestry**
15 **Company.**

16 **(a) Classification.** The Class 8 Claim consists of the Allowed Secured
17 Claim of John Deere Construction & Forestry Company (“**Deere**”). pursuant to
18 §506 of the Bankruptcy Code.
19

20 **(b) Basis for Claim.** Deere’s claim results from a retail installment
21 contract dated on or about September 29, 2017 for a John Deere 724K Loader
22

1 (“**Deere Collateral**”) for \$243,000.00. Deere has filed a proof of claim on August
2 7, 2018 in the amount of \$213,111.12. Deere claims a security interest and lien in
3 the Deere Collateral to secure the balance due under Deere’s pre-petition loan
4 documents. Deere moved for relief from the stay or alternatively adequate
5 protection with respect to the Deere Collateral. The Debtors and Deere have
6 entered into a stipulation which provides that Debtors shall resume the monthly
7 payments of \$7,611.11 beginning October, 2018 (See Docket No. 203).
8
9

10 (c) **Treatment.** Deere’s secured claim, including interest, late charges,
11 and legal fees shall be calculated as of the Effective Date and Deere shall provide
12 the Debtors with notice of its calculations within five (5) days after the Effective
13 Date. The amount of all interest, legal fees, late charges and other amounts which
14 are due to Deere as of the Effective Date shall be capitalized into the balance of
15 Deere’s allowed secured claim (“**Deere Claim Balance**”). The Deere Claim
16 Balance shall not accrue interest from the Effective Date until paid in full. The
17 Deere Claim Balance shall be paid as follows: (a) commencing on the last day of
18 the month following the month in which the Effective Date occurs, the Debtor shall
19 make monthly payments to Deere in the amount of \$7,611.11 until the Deere Claim
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23 DISCLOSURE STATEMENT -56
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1 Balance is paid in full. **(d) Additional Provisions.** Until paid in full the
2 Deere Claim Balance shall continue to be secured by the Deere Collateral pursuant
3 to the terms of the Deere pre-petition loan documents.

4 **(e) Cure of Defaults.** All defaults in respect of the Deere Claim
5 Balance shall be deemed cured as of the Effective Date.

6 **(f) Prepayment.** The Debtors may prepay any or all of the principal
7 amount of the Deere Claim Balance, and any such prepayment shall be credited
8 against the payments next due under this Plan.

9 **(g) Impairment.** Pursuant to Section 1124 of the Bankruptcy Code,
10 Class 8 is impaired.

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14 **Class 9 Claims of Northland Capital Financial Services**

15 **(a) Classification.** The Class 9 Claim consists of the Allowed Claim
16 of Northland Capital Financial Services (“NCFS”) resulting from an equipment
17 lease with option to purchase between NCFS and Debtors (“NCFS Lease”).
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1 **(b) Basis for Claim.** The Debtors were current on payments due under
2 the NCFS Lease on the Petition Date and remain current on the payments post-
3 petition.

4 **(c) Treatment.** The Debtors will assume the NCFS Lease which have
5 not previously expired upon the Effective Date. To the extent any defaults exist
6 under the NCFS Lease on the Effective Date, the Debtors shall cure such defaults
7 within thirty (30) days of the Effective Date.

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10 The terms of the NCFS Lease shall continue in full force and effect after
11 assumption by the Debtors and the Debtors shall continue making post-
12 confirmation payments to NCFS according to the terms of the NCFS Lease. The
13 Debtors shall retain their right to exercise the option to purchase contained in the
14 NCFS Lease according to the terms of the NCFS Lease.

15
16 **(d) Impairment.** Class 9 is not impaired.

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19 **Class 10. Unsecured Claims**

20 **(a) Classification.** Class 10 includes all unsecured claims against the
21 Debtors as of the Petition Date (“**Unsecured Creditor Claims**”). Unsecured
22

1 Creditor Claims shall not include any post-petition interest, attorneys' fees or other
2 charges, whether or not such amounts were provided for in pre-petition agreements
3 with the Debtor.

4
5 **(b) Treatment.** The Unsecured Creditor Claims shall be totaled as of the
6 Effective Date. After the Debtors have resolved any objections or challenges to the
7 Unsecured Creditor Claims, in accordance with the provisions of this Plan, each
8 unsecured creditor will be deemed to have a pro rata share of the Unsecured
9 Creditor Claims balance based upon the percentage that such unsecured creditor's
10 claim bears to the total Unsecured Creditor Claims. Unsecured Creditor Claims
11 shall bear interest at the rate of two percent (2%) per annum from the Effective
12 Date until paid in full. Unsecured Creditor Claims shall be paid as follows:

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14
15 (i) Timing of Payments. Unsecured Creditor Claims shall be
16 paid in full in ten (10) annual installments (each an "**Installment**"), with the first
17 Installment due one (1) year from the Effective Date and additional Installments
18 made on the same date of each subsequent year under the Plan. The amount of
19 each Installment shall depend upon the funds received by the Debtor in the
20 previous year which are either: (i) Earmarked Funds (as defined below); or (b)

1 Fifty Percent (50%) of Operational Profits (as defined below) from operations
2 during the twelve (12) months prior to the making of the applicable Installment
3 payment available from the Debtor's net cash flow from operations during the
4 year preceding the applicable Installment payment, as described below.
5

6 (ii) Earmarked Funds. The following amounts shall be deemed
7 funds earmarked for distribution to unsecured creditors ("**Earmarked Funds**"):

8 (a) twenty-five percent of the net proceeds from the sale of the Leavenworth
9 Property; (b) twenty-five percent of the net proceeds from the settlement or
10 resolution of the Agri-King lawsuit; and (c) twenty-five percent of any dividends
11 or distributions resulting from the Debtor's equity/patronage in any co-op,
12 including Darigold ("**Patronage Distributions**") which are not off set against debt
13 owed a co-op creditor.
14
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16 (iii) Operational Profits. For purposes of the Plan "**Operational**
17 **Profits**" shall consist of the Debtor's actual net cash flow for the previous twelve
18 (12) month period as determined by the Debtor's regular certified public
19 accountants. The Debtor's projected net cash flow for 2019 is described in Exhibit
20 "2" to the Debtor's Disclosure Statement. The Debtor's projected net cash flow
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23 DISCLOSURE STATEMENT -60

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1 for the remaining years of the Plan is described in Exhibit "2" to the Debtor's
2 Disclosure Statement. Operational Profits shall not include any amounts received
3 or retained by the Debtor as working capital from: (a) the sale of the Leavenworth
4 Property; (b) the sale of the Excess Cows; (c) the resolution of the Agri-King
5 lawsuit; (d) the Debtor's share of Patronage Distributions; and/or (e) the Debtor's
6 retention of Operational Profits from previous years.
7

8 (iv) Installment Payments. Each Installment payment shall be
9 distributed by the Debtor to unsecured creditors on a pro rata basis. The amount
10 of each Installment Payment shall be equal to the sum of: (a) any Earmarked Funds
11 the Debtor received in the previous twelve (12) months; plus (b) fifty percent of
12 the Debtor's Operational Profits generated in the previous twelve (12) months *less*
13 any amounts the Debtors must reserve from the Operational Profits in order to fund
14 anticipated operating or capital expenses of the Debtors in future years *provided*
15 *however* that the Debtor shall use its own accumulated working capital (as opposed
16 to Operational Profits) for such operating or capital expenditures if economically
17 possible.
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23 DISCLOSURE STATEMENT -61

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(v) Final Payment Date. Notwithstanding the payment provisions contained above, the balance of the Unsecured Creditor Claims shall be paid in full no later than eleven (11) years from the Effective Date.

(c) **Explanation.** The Debtor shall provide unsecured creditors with an explanation of how the amount of each Installment has been calculated and such calculation shall be included with the annual Installment payment made to unsecured creditors.

(d) **Impairment.** Class 10 is impaired.

Chart of Unsecured Creditors:

CREDITOR	AMOUNT	CLAIM/SCHEDULE
ABS Global, Inc.	\$20,000.00	Schedule
Ace Hardware	\$1,366.61	Schedule
Ag Health Laboratories	\$18,624.33	Schedule
Agri-Service	\$7,606.48	Schedule
Animal Health International	\$41.43	Schedule
APEX, LLC	\$179,412.75	Claim 11/6/18

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1	Aramark Uniform and	\$4,761.54	Claim
2	Apparel, LLC		7/30/18
3	Archer Daniels Midland	\$116,618.19	Claim
4			11/6/18
5	Auke Bruinsma	\$56,756.52	Schedule
6	Insider		
7	Balboa Capital	\$127,507.67	Claim
8	Corporation		11/6/18
9	Bank of America	\$185,471.01	Schedule
10	Bleyhl Farm Service, Inc.	\$165,078.85	Schedule
11	Blue Mountain Hay, LLC	\$154,556.40	Claim
12			9/20/18
13	Bodine Consulting	\$2,500.00	Schedule
14	Bovine Vet Services	\$13,412.60	Schedule
15	Calaway Company	\$541,946.78	Claim
16			6/26/18
17	Capital One	\$45,049.12	Claim
18			7/30/18
19	CapStone Commodities	\$11,445.25	Schedule
20			
21			
22			

23 DISCLOSURE STATEMENT -63

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1	Cargill Animal Nutrition	\$5,697.23	Schedule
2	Central Machinery Sales	\$2,043.60	Schedule
3	Inc.		
4	Cliff's Septic	\$348.00	Schedule
5	Commodities Plus II	\$1,860.00	Schedule
6			
7	Commodity Specialists	\$78,284.75	Claim
8	Company		8/19/18
9	Dairy Vet Management	\$14,459.55	Schedule
10	Daritech, Inc.	\$98,593.83	Schedule
11			
12	Davis Pump	\$3,641.63	Schedule
13	Environmental	\$25,177.35	Schedule
14	Technologies		
15	FC Stone, Inc.	\$1,753,412.70	Claim
16			11/7/18
17	Fastenal	\$5,516.95	Claim
18			10/19/18
19	Gordon Trucking	\$7,428.66	Claim
20			9/5/18
21			
22	Granger Industrial Supply	\$245.35	Schedule

DISCLOSURE STATEMENT -64

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1	HF Hauff Company	\$210.41	Schedule
2	Husch and Husch	\$15,568.48	Claim
3	Fertilizer		6/21/18
4	K & U Auto Parts	\$1,988.06	Schedule
5	Lansing Vermont	\$405,521.00	Claim
6			10/19/18
7	Loewen Welding and Mfg.	\$20,025.00	Schedule
8	Ltd		
9	Lower Valley Machine	\$13,455.23	Schedule
10	Shop, Inc.		
11	Motion Industries	\$18,114.54	Claim
12			7/2/18
13	MWI Animal Health	\$105,683.67	Claim
14			6/20/18
15	O'Reilly	\$4,683.10	Schedule
16	Occupational Health	\$2,128.00	Schedule
17	Orange Dairy Service	\$149,808.04	Schedule
18	Oxarc, Inc.	\$269.79	Schedule
19	Pacific Power	\$1,121.47	Claim

DISCLOSURE STATEMENT -65

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		11/2/18
Pape Machinery	\$3,483.95	Claim 8/13/18
Pape Machinery	\$2,200.07	Claim 8/31/18
Pioneer Enterprises	\$54,655.18	Claim 10/19/18
Randell Equipment	\$330.69	Schedule
RDO Equipment	\$30,490.59	Claim 7/3/18
Rogers Machinery Company, Inc.	\$1,859.21	Schedule
Safety Kleen Systems	\$291.79	Schedule
South Dakota Soybean Processors	\$42,909.17	Claim 8/23/18
Stop Claims Corp	\$800.00	Schedule
Sunnyside Hardware	\$2,188.70	Claim 10/8/18
Sunnyside New Holland,	\$1,718.56	Claim

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1	Inc. DBA Burrows Tractor		7/3/18
2	Tallgrass Commodities	\$173,128.65	Claim
3			11/7/18
4	Taylor Electric	\$4,371.18	Schedule
5	Tire Factory	\$8,268.86	Schedule
6			
7	Tony Harris Farms, Inc.	\$6,510.00	Schedule
8	United Telephone	\$86.33	Claim
9	Company		8/8/18
10	US Commodities	\$37,757.09	Claim
11			7/25/18
12	Valley Auto Parts	\$603.94	Schedule
13	Valley Spray	\$323.70	Schedule
14			
15	Valmont Northwest Inc.	\$1,491.11	Schedule
16	Vet-Ex	\$397,300.87	Schedule
17	Western Scale	\$426.21	Schedule
18	Western States Equipment	\$860.66	Claim
19	Company		8/13/18
20			
21	Western Stockman	\$1,143,333.05	Claim
22	(Simplot)		10/16/18

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Westway Feed Products, LLC	\$107,134.95	Claim 7/10/18
Whitby Farms	\$146,405.95	Claim 8/22/18
White's Hauling	\$53,640.42	Schedule
Wolfkill Feed and Fertilizer	\$14,940.88	Claim 8/24/18
Total	\$6,624,953.68	

Class 11 Secured Claim of Wells Fargo Home Mortgage

(a) Classification. The Class 11 Claim consists of the Allowed Secured Claim of Wells Fargo Home Mortgage pursuant to §506 of the Bankruptcy Code.

(b) Basis for Claim: Wells Fargo Home Mortgage (“Wells Fargo”) made a loan to allow Debtors to buy a vacation home in Leavenworth, WA. Debtors has listed the total amount of the claim to be \$203,401.31. No proof of claim has been filed by Wells Fargo at this time.

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1 **(c) Treatment.** Wells Fargo's secured claim, including interest, late
2 charges, and legal fees shall be calculated as of the Effective Date, with notice of
3 such calculation to be given to the Debtors. The amount of all interest, legal fees,
4 late charges and other amounts which are due to Wells Fargo as of the Effective
5 Date shall be capitalized into the balance of Wells Fargo's allowed secured claim
6 **("Wells Fargo Claim Balance").** The Wells Fargo Claim Balance shall accrue
7 interest at the non-default contractual rate provided in the Wells Fargo loan
8 documents from the Effective Date until paid in full. The Wells Fargo Claim
9 Balance shall be paid as follows: (a) the Debtors shall continue making monthly
10 payments to Wells Fargo in the amount of \$1,476.98 until the Wells Fargo Claim
11 Balance is paid in full. Alternatively, in the event the Debtors elect to sell the
12 Leavenworth Property, Wells Fargo shall be paid in full at closing of such sale.
13
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15

16 **(d) Additional Provisions.** The Wells Fargo Claim Balance shall
17 continue to be secured by Wells Fargo's pre-petition lien against the Leavenworth
18 Property.
19

20 **(e) Cure of Defaults.** All defaults in respect of the Wells Fargo Claim
21 Balance shall be deemed cured as of the Effective Date.
22

1 **(f) Prepayment.** The Debtor may prepay any or all the principal
2 amount of the Wells Fargo Claim Balance, and any such prepayment shall be
3 credited against the payments next due under this Plan.

4 **(g) Impairment.** Class 11 is not impaired.

5
6
7 **Class 12 Unsecured Creditors – Administrative Convenience**

8 **(a) Classification.** The Class 12 Claims consist of unsecured creditors
9 who: (a) have allowed claims of less than \$10,000.00 and have elected to be
10 included in the Administrative Convenience Class; and (b) have agreed, pursuant
11 to the provisions described below, to reduce their allowed unsecured claims to
12 \$10,000 and have elected to be included in the Administrative Convenience Class.
13

14 **(b) Basis for Claims.** The Class 12 Claims are based upon
15 Administrative Convenience.
16

17 **(c) Treatment.** Within one hundred twenty (120) days of the Effective
18 Date, any unsecured creditor may give written notice to the Debtor that: (i) it has
19 an allowed unsecured claim of less than \$10,000 and elects to be included in the
20 Administrative Convenience Class; or (ii) it has an allowed unsecured claim of
21
22

1 more than \$10,000 that it will voluntarily agree to reduce to \$10,000 for purposes
2 of being included in the Administrative Convenience Class. Any unsecured
3 creditor who elects to be included in the Administrative Convenience Class will
4 receive payment from the first Installment paid to unsecured creditors in an amount
5 equal to fifty percent (50%) of the allowed amount of its claim up to a maximum
6 of \$5,000.00. Administrative Convenience Claims shall be paid prior to any
7 payments to unsecured creditors in Class 10.
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10 **(d) Impairment.** Pursuant to Section 1124 of the Bankruptcy Code,
11 Class 12 is impaired.
12

13
14 **Class 13 Claims Between Individual Debtors and the Dairy.**

15 **(a) Classification.** Class 13 consists of any claims between the
16 Individual Debtors and the Dairy. The Debtors are not aware of any such claims
17 but to the extent such claims do exist they shall be extinguished upon the Effective
18 Date. Class 13 does not include any claims between the Debtors and Auke
19 Bruinsma, who is the son in law of the Individual Debtors. The claims of Auke
20 Bruinsma against the Debtors shall be dealt with as Class 10 Unsecured Claims. In
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22

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1 addition, the Debtors will separately deal with assumption of the existing vineyard
2 lease between the Individual Debtors and Auke Bruinsma in Section VII, below.

3 **(b) Basis for Claims.** The Class 13 claims, to the extent they exist, are
4 based upon transfers between the Individual Debtors and the Dairy in order to
5 support the Dairy operations.
6

7 **(c) Treatment.** The Class 13 Claims, to the extent they exist, will be
8 eliminated upon the Effective Date. The Class 13 Claims shall not receive any
9 distributions under the Plan.
10

11 **(d) Impairment.** Class 13 is impaired but shall not be entitled to vote
12 under the Plan.
13
14

15 **Class 14. Equity Claims.**

16 **(a) Classification.** Class 14 includes the claims of equity security
17 holders Art & Theresa Mensonides in Mensonides Dairy, LLC.
18

19 **(b) Basis for Claims.** Art and Theresa Mensonides own 100% of the
20 shares and membership interests in the Dairy.
21
22

1 **(c) Treatment.** Art and Theresa Mensonides will retain their ownership
2 interests in Mensonides Dairy, LLC without payment of money under the Plan.
3

4
5 **C. Provisions Applicable to All Claims.**

6 Except as indicated below, the following provisions shall be applicable to all
7 classes of claims under the Plan:
8

9 C.1 Prepayment. Notwithstanding any other provision of the Plan or the
10 provisions of any creditor's loan documents/contracts, the Debtors may prepay any
11 Claim, or portion thereof, dealt with in the Plan, without penalty at any time. Any
12 partial pre-payment shall be credited to the next due payment(s).
13

14 C.2 Notice of Default & Opportunity to Cure. With respect to the
15 payment and treatment of all Allowed Claims of all Claimants, and
16 notwithstanding any other provision of the Plan or the provisions of any creditor's
17 loan documents, the Debtors shall not be deemed to be in default under the terms
18 of the Plan unless the creditor asserting such default provides (1) the Debtors with
19 written notice of the alleged default, and (2) thirty (30) days opportunity to cure
20 such default. In the event the Debtors fail to: (i) cure the alleged default during the
21
22

1 thirty (30) day cure period; or (ii) file a motion with the Bankruptcy Court
2 contesting the alleged default during the thirty (30) day cure period, then such
3 creditor shall be authorized to take such action to enforce their obligations as such
4 creditors have under applicable non-bankruptcy law. Failure of the debtor to
5 contest or cure the default during the applicable cure period shall not constitute a
6 waiver of any of the Debtor's claims or defenses against such creditor.
7

8 C.3 Financial Covenants. Notwithstanding any other provisions of the
9 Plan or of any creditor's loan documents or agreements, the Debtors shall not be in
10 default under the Plan based upon the failure of the Debtors to meet or satisfy any
11 financial covenants or financial benchmarks contained in any creditor's loan
12 documents or agreements.
13
14

15 C.4 Financial Reporting. Except as provided above with respect to
16 Farm Credit and notwithstanding any other provisions of the Plan or of any
17 creditor's loan documents or agreements, the Debtor shall not be required to
18 provide any financial reporting to any creditor.
19

20 D. Claims Objections.

21 The Plan provides that
22

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1 D.1 The Debtor will have ninety (90) days from the Effective Date to
2 object to Claims in Classes 3-13.

3 D.2 To the extent the Debtor does not object to a Class 3-13 within the
4 time frames described above, the claim shall be an Allowed Claim in the amount:
5 (a) of the proof of claim as filed by the Claimant; or (b) in the case that no proof of
6 claim was filed, in the amount scheduled by the Debtor.
7

8 D.3 The Debtor shall retain under the Plan all of its rights to object to
9 Administrative Claims, other than those Administrative Claims which have been
10 approved by the Court.
11

12 D.4 Payments to Holders of Disputed Claims. In the event the Debtor
13 files an Objection to a Claim, no distribution shall be made on account of such
14 Claim until such time as the Court has entered a Final Order allowing or
15 disallowing such Claim. However, until the Debtor's Objection to a Claim has
16 been resolved, the Debtor shall segregate funds in an amount sufficient to pay such
17 Disputed Claimant the amount the Disputed Claimant would have been entitled to
18 receive if such Disputed Claim was an Allowed Claim. Upon resolution of any
19 such Disputed Claim, the Debtor shall distribute funds to such Disputed Claimant
20
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1 to the extent that the resolution of the Objection results in the Disputed Claim
2 becoming an Allowed Claim.

3 D.5 Payments to Claimants Against Whom Bankruptcy Claims Exist. To
4 the extent that a payment would otherwise be due to a creditor in any Class, and
5 the Debtor has or intends to assert a Bankruptcy Claim against such creditor, no
6 payment to such creditor shall be made in accordance with §502(d) until such
7 Bankruptcy Claims are resolved. This Section D.5 does not apply to the Class 4
8 Claim of Farm Credit.
9
10

11 D.6 Farm Credit Balance. Unless the parties have previously agreed upon
12 the amount of the Farm Credit Claim Balance, Farm Credit shall deliver to the
13 Debtors, the U.S. Trustee and to counsel for the Creditor's Committee, no later
14 than five (5) days after the Effective Date, an itemized statement showing the
15 balances Farm Credit contends the Debtors owe and which should be included as
16 part of the Farm Credit Claim Balance (including separate classification of
17 principal, interest, late fees, default interest, attorneys' fees, consultant charges or
18 other amounts). Any interested party, including the Debtors shall have thirty (30)
19 days to challenge the amount of the Farm Credit Claim Balance. In the event of a
20
21
22

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1 challenge, the Farm Credit Claim Balance shall be the amount determined by the
2 Bankruptcy Court or otherwise agreed upon by the parties. Notwithstanding any
3 dispute as to the Farm Credit Claim Balance, the Debtor shall make payments on
4 the Operating Loan and Real Estate Loan pending resolution of any claims dispute.
5

6
7 **E. Preference and Avoidance Actions.**

8 Any Bankruptcy Claims owned by the Debtors as of the Petition Date shall
9 be transferred to the Debtor upon the Effective Date. Under the Plan, the Debtors
10 reserve all of their rights to bring preference actions or other Bankruptcy Claims,
11 except that the Debtors shall not assert any preference actions or other Bankruptcy
12 Claims against Farm Credit, which is an oversecured creditor. The Debtor does not
13 anticipate bringing any preference or other avoidance actions at this time, against
14 any creditors or other parties, and notes that the Plan contemplates payment in full
15 to all creditors. Because the Plan contemplates payment in full, the pursuit of
16 Chapter 5 claims like would not be of benefit to the estate.
17
18
19

20 **F. Payments to Creditors Under the Plan.**

21 All of the Payments to Creditors under the Plan will be made by the Debtor.
22

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1 **G. Executory Contracts and Unexpired Leases**

2 Under the Plan, any leases or executory contracts which have not been
3 previously assumed or rejected, will be assumed and assigned to the Debtors on the
4 Effective Date. A list of the leases to be assumed by the Debtor are described in
5 this Disclosure Statement.
6

7 **H. Tax Consequences of Plan**

8 Creditors and Equity Interest Holders Concerned with How the Plan May
9 Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys,
10 and/or Advisors.
11

12 Debtors has substantial net operating loss carryforward which will be
13 sufficient to insulate the Debtor (and its members Art and Theresa Mensonides)
14 from any federal income tax which is due in the first several years of the Plan. In
15 subsequent years if the Debtor is profitable it will have sufficient funds in order to
16 pay any federal income taxes associated with such profits. All taxes resulting from
17 the operation of the Debtor shall be reported on the personal income tax return of
18 Art and Trijntje a/k/a Theresa Mensonides. Art and Trijntje a/k/a Theresa
19
20
21

1 Mensonides will be obligated to pay any federal income taxes related to the
2 operations of the Debtor.

3 THE FOREGOING DESCRIPTION OF FEDERAL TAX CONSEQUENCES IS
4 INTENDED MERELY AS AN AID FOR CREDITORS, AND NEITHER THE
5 DEBTORS NOR THEIR COUNSEL ASSUME ANY RESPONSIBILITY IN
6 CONNECTION WITH THE INCOME TAX LIABILITY OF ANY SUCH
7 CREDITORS. CREDITORS ARE URGED TO OBTAIN ADVICE FROM
8 THEIR OWN ACCOUNTANTS OR ATTORNEYS REGARDING THE TAX
9 CONSEQUENCES OF THE PLAN.
10
11

12 13 14 **IV. CONFIRMATION REQUIREMENTS AND PROCEDURES**

15 To be confirmable, the Plan must meet the requirements listed in §1129(a) or
16 (b) of the Code. These include the requirements that: the Plan must be proposed in
17 good faith; at least one impaired class of claims must accept the plan, without
18 counting votes of insiders; the Plan must distribute to each creditor and equity
19 interest holder at least as much as the creditor or equity interest holder would
20 receive in a chapter 7 liquidation case, unless the creditor or equity interest holder
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1 votes to accept the Plan; and the Plan must be feasible. These requirements are not
2 the only requirements listed in § 1129, and they are not the only requirements for
3 confirmation.

4
5 **A. Who May Vote or Object**

6 Any party in interest may object to the confirmation of the Plan if the party
7 believes that the requirements for confirmation are not met. Many parties in
8 interest, however, are not entitled to vote to accept or reject the Plan. A creditor or
9 equity interest holder has a right to vote for or against the Plan only if that creditor
10 or equity interest holder has a claim or equity interest that is both (1) allowed or
11 allowed for voting purposes and (2) impaired.
12

13
14 In this case, the Debtors believe that the following classes are impaired and
15 that holders of claims in each of these classes are therefore entitled to vote to
16 accept or reject the Plan.
17

18 Class 4: Secured Claims of Northwest Farm Credit
19 Services, FLCA and Northwest Farm Credit
Services, PCA (collectively "Farm Credit")

20 Class 5: Secured Claims of Ag Country Farm Credit Services

21 Class 7: Secured Claims of Balboa Capital
22

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1 Class 8: Secured Claims of Deere & Company and
2 Deere Credit, Inc.

3 Class 10: Unsecured Claims

4 Class 12: Unsecured Claims – Administrative Convenience

5
6 The Debtors believe that the following classes are unimpaired or not entitled
7 to vote and that holders of claims in each of these classes, therefore, do not have
8 the right to vote to accept or reject the Plan.
9

10 Class 1: Administrative Claims – Professionals

11 Class 2: Administrative Claims – U.S. Trustee Fees z

12 Class 3: Claims of the IRS

13 Class 6: Secured Claims of AgCo Finance LLC

14 Class 9: Lease Claims of Northland Capital Financial Services

15 Class 11: Secured Claims of Wells Fargo Home Mortgage

16 Class 13: Claims Between Individual Debtors and the Dairy

17 Class 14: Equity Security Holders

18
19
20
21 **1. What Is an Allowed Claim or an Allowed Equity Interest?**

22
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1 Only a creditor or equity interest holder with an allowed claim or an allowed
2 equity interest has the right to vote on the Plan. Generally, a claim or equity
3 interest is allowed if either (1) the Debtors have scheduled the claim on the
4 Debtors' schedules, unless the claim has been scheduled as disputed, contingent, or
5 unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless
6 an objection has been filed to such proof of claim or equity interest. When a claim
7 or equity interest is not allowed, the creditor or equity interest holder holding the
8 claim or equity interest cannot vote unless the Court, after notice and hearing,
9 either overrules the objection or allows the claim or equity interest for voting
10 purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.
11

12 **2. What Is an Impaired Claim or Impaired Equity Interest?**

13 As noted above, the holder of an allowed claim or equity interest has the
14 right to vote only if it is in a class that is impaired under the Plan. As provided in §
15 1124 of the Code, a class is considered impaired if the Plan alters the legal,
16 equitable, or contractual rights of the members of that class.
17

18 **3. Who is Not Entitled to Vote**

1 The holders of the following five types of claims and equity interests are not
2 entitled to vote:

- 3 • holders of claims and equity interests that have been disallowed
4 by an order of the Court;
- 5 • holders of other claims or equity interests that are not “allowed
6 claims” or “allowed equity interests” (as discussed above),
7 unless they have been “allowed” for voting purposes.
- 8 • holders of claims or equity interests in unimpaired classes;
- 9 • holders of claims entitled to priority pursuant to §§507(a)(2),
10 (a)(3), and (a)(8) of the Code; and
- 11 • holders of claims or equity interests in classes that do not
12 receive or retain any value under the Plan;
- 13 • administrative expenses.

14 Even If You Are Not Entitled to Vote on the Plan, You Have a Right to
15 Object to the Confirmation of the Plan and to the Adequacy of the Disclosure
16 Statement.
17

18 **4. Who Can Vote in More Than One Class**

19 A creditor whose claim has been allowed in part as a secured claim and in
20 part as an unsecured claim, or who otherwise hold claims in multiple classes, is
21

entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by a cram down on non-accepting classes, as discussed later in Section.

1. Votes Necessary for a Class to Accept the Plan

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. Treatment of Non-Accepting Classes

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds non-accepting classes is commonly referred to as a cram down plan. The Code allows the Plan to bind non-accepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not discriminate unfairly, and is fair and equitable toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a cramdown confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

C. Liquidation Analysis

The Plan proposes to pay all creditors in Classes 1 – 13 in full, as described in the Plan. To that extent, the recovery to be received by creditors under the Plan

1 is necessarily at least as much as such creditors would recover if this case were
2 converted to chapter 7.

3 As can be seen from Section II.C. of this Disclosure Statement, Debtors'
4 total liabilities do not exceed the Debtors' total scheduled assets. Debtors'
5 scheduled assets in a Fair Market Value analysis total \$58,544,058.80.
6

7 Liabilities based on the compilation report as of September 30, 2018, are
8 \$35,401,304.00, meaning that assets exceed debts by approximately
9 \$23,142,754.80 as of September 30, 2018. Debtors believe that the September 30,
10 2018 financial statements represent an accurate representation of the liabilities,
11 but because the assets are shown at a historic adjusted cost basis under US
12 Generally Accepted Accounting Principles, certain fair market value adjustments
13 to the assets need to be made. These adjustments have been made to the
14 scheduled Dairy asset values.
15
16
17

18 Debtors have done a liquidation Analysis of Dairy assets only assuming a
19 sale of the Dairy as a going concern and assuming a sale with a loss of the dairy
20 production base. Using this liquidation analysis, it is clear that if a sale of assets is
21 needed, selling the dairy with the production base as a going concern would be
22

1 necessary to get the creditors any type of payment. The liquidation analysis of a
2 sale of Dairy assets with the assumptions is attached as Exhibit "4."

3 In performing a liquidation analysis, Debtors assume that they would
4 immediately cease operations and liquidate their assets at whatever value could be
5 received in the short term. In other words, the Debtors assume a worst case
6 scenario that their assets would be liquidated in a "fire sale," with no production
7 base, and that the sale would generate liquidation values rather than going concern
8 values. The Debtors admit that this analysis is somewhat imprecise in that it is
9 impossible to know with certainty what the value of these assets would be in a
10 liquidation scenario, other than to say that the value of the Debtors' assets as a
11 going concern, would be substantially higher than if the Debtors' assets were
12 liquidated under Chapter 7 of the Bankruptcy Code. Again, this is not a
13 liquidation plan, but this information is given to allow creditors to see all options
14 in this matter.
15
16
17
18

19 As described above, the Debtors' obligations to Farm Credit are
20 collateralized by a significant amount of land owned by the Debtors. As the first
21 step of the liquidation analysis, the Debtors have assumed that Farm Credit
22

1 liquidates the collateral owned by the Debtors and applies the amounts received
2 against the Debtors' obligations. The Debtors have assumed a 25% decrease in
3 the value of the Dairy property if the dairy operation is no longer a going concern
4 on some categorizes in the first column. Once the shipping rights are lost, the
5 analysis assumes a 75% decrease in value on assets. As can be seen on Exhibit "4"
6 the liquidation of the Dairy assets owned by Debtors would result in a deficit in
7 the amount needed to pay creditors. Farm Credit would be paid in whole based on
8 their security interests. Any remaining funds received would be pro-rated to
9 unsecureds after secured creditors were paid.

12 Debtors' liquidation analysis starts with the assets described on the Debtors'
13 schedules and discounts those assets based upon the Debtors' assumptions
14 (described in the liquidation analysis) of what could be realized in a liquidation.
15 The total liquidation value of the Debtors' assets is approximately as follows:
16

17
18 Sale of Dairy Operation before
19 Loss of Production Base: Total: \$35,644,122.00

20 Sale of Dairy Operation after
21 Loss of Production Base: Total: \$20,304,782.00

1 If the Dairy is sold as going concern, Exhibit "4" shows unsecured creditors
2 may receive \$1,155,116 to apply against total unsecured debt of \$6,624,953.68
3 after payment of sale costs, federal income tax and secured debt.

4 If the Dairy is sold after loss of its production base, i.e. not as a going
5 concern, unsecured creditors would receive nothing.

6 Under Debtors' proposed Plan unsecured creditors will receive 100% of the
7 principal of their claims, with interest, over time. As a result, all creditors will
8 receive more under the Plan than if the case was converted to a chapter 7.
9
10

11 **D. Risk Factors Under the Plan.**

12 A variety of factors may impact the Debtors' ability to perform under the
13 Plan. A non-exhaustive list of these factors is as follows:

- 14 1. The Budgets make projections as to the price of milk based upon Darigold
15 projections as well as historical averages, however, there are always fluctuations
16 in the price outside of the Debtors' control. The Debtors have attempted to hedge
17 against this risk by using conservative numbers and historical averages. Further,
18 the Debtors have attempted to give themselves some flexibility by providing for
19
20
21
22

1 the reduction in payments to creditors in certain Classes in the event of a market
2 failure, as well as retaining operating capital on assets that get disbursed.

3
4
5 2. The Debtors Budgets rely upon the majority of the prices for farm inputs and
6 labor remaining fairly consistent. The Budgets also assume the availability of
7 sufficient farm land and labor to allow the Debtors to perform in accordance with
8 the Budgets and produce adequate feed to supply to the Dairy. In past years both
9 land and labor have been generally available. While costs for both land, inputs and
10 labor have changed over time the Debtors believe that the numbers utilized in the
11 Budget are realistic given current information. Substantial increases in input costs
12 or the inability of the Debtors to procure sufficient labor could have a negative
13 impact on the Debtors' ability to perform under the Plan.
14
15

16 3. Due to milk price fluctuations, the Dairy may elect to participate in
17 Livestock Gross Margin-Dairy, often called LGM-Dairy or Milk Insurance. This is
18 an insurance product developed to protect against unexpected negative swings in
19 either Chicago Board price of milk or price of corn or soybean meal. This type of
20 insurance is flexible enough to fit most dairy farmers' needs. Due to the volume of
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1 milk produced, it may be cost prohibitive to participate in this type of a program,
2 but such a program will be evaluated to see if it fits with the operations of this
3 Dairy. It specifically grants protection against the loss of gross margin, which is
4 determined as the market value of Class III milk minus the cost of feed as per the
5 Chicago Board. Qualification for this program is simple; only requiring that you be
6 a milk producer in the lower 48 states.
7

8 4. Currently the Dairy has extensive insurance policies, including
9 environmental and employee policies to protect against legal action in these two
10 areas. The Dairy has been sued in Yakima County Superior Court under a class
11 action alleging that employees had not been given meal breaks nor rest breaks, nor
12 paid for pre-shift and post-shift work. The insurance policy in place prior to the
13 suit is handling the representation of the Dairy in this matter.
14
15


16 5. The Debtors' Plan depends upon the continuing management of Art and
17 Trijntje a/k/a Theresa Mensonides. The Debtors have attempted to set in place a
18 succession plan for management in the event of the death or disability of Art
19 Mensonides.
20
21
22

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1 Dated this 26th day of November, 2018.

2
3 Mensonides Dairy, LLC

4 
5 By: ART MENSIONIDES
6 Title: Member
7

8
9 Art and Trijntje a/k/a Theresa Mensonides

10 
11 ART MENSIONIDES

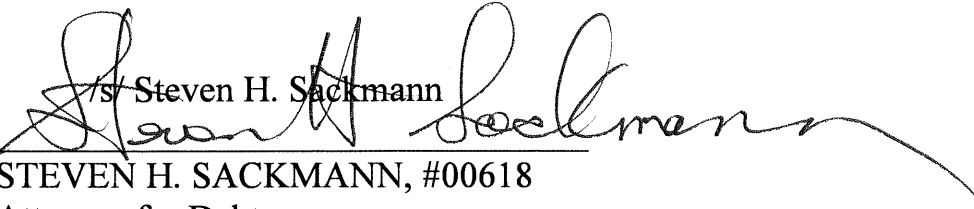
12 
13 TRIJNTJE a/k/a THERESA MENSIONIDES
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23 PLAN DISCLOSURES -

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1 Dated this 26th day of November, 2018.

2 Respectfully submitted,

3 
4 /s/ Steven H. Sackmann
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